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## NEWS RELEASE

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# **PSC Grants Rate Adjustment to Kentucky Frontier Gas** *Company will now have equal rates over entire system*

**FRANKFORT, Ky. (April 30, 2013)** – The Kentucky Public Service Commission (PSC) has granted a request by Kentucky Frontier Gas Co. for an adjustment that will equalize rates for customers throughout its system.

The new rates and two surcharges will increase bills for Kentucky Frontier's 3,400 customers, although the size of the increase will vary substantially among Kentucky Frontier's 10 distribution systems. The new rates and surcharges take effect today.

Kentucky Frontier owns and operates 10 small natural gas distribution systems, with most of the customers in Floyd, Magoffin and Pike counties. The systems were acquired by Kentucky Frontier beginning in 2008. The company has continued to charge rates that were in place when it bought the systems.

In its application, Kentucky Frontier said that equalizing its rates will put all customers on an equal footing while providing sufficient revenue to improve operations. The adjusted rates reflect the current cost to operate the combined system, according to Kentucky Frontier.

The residential rates requested by Kentucky Frontier and approved by the PSC include a \$10 monthly charge and a delivery charge of \$4.18 per thousand cubic feet (mcf).

In an order issued today, the PSC said Kentucky Frontier could have justified a slightly higher delivery charge of \$4.20 per mcf. The PSC gave the company a week to decide whether to implement or forego the higher charge.

The PSC also authorized Kentucky Frontier to impose a monthly \$1.00 per customer surcharge to pay for upgrading meters and a \$1.25 per customer per month surcharge to fund a program to replace gas lines. The company was authorized to install automated meters (that can be read remotely) throughout its system.

Kentucky Frontier is required to file annual reports on its gas line replacement and meter upgrade programs.

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The rate changes apply only to the amount Kentucky Frontier charges for delivering natural gas. The commodity cost of the gas itself is separate and fluctuates with conditions in the natural gas market.

Distribution companies such as Kentucky Frontier are required to pass through the gas commodity cost on a dollar-for-dollar basis and cannot add a profit margin to the cost of gas.

Kentucky Frontier also operates five “farm tap” systems that are included in this rate case with respect to the meter upgrade surcharge. Farm tap systems provide gas from lines that collect gas from production wells. They are regulated differently than distribution systems.

At the approved rates, an average residential customer using 60 thousand cubic feet of gas per year will pay about \$370.80 annually in distribution charges, not including the proposed new surcharges. The current annual average distribution charges, not including gas cost, over Kentucky Frontier’s 10 systems range from \$181.80 to \$390.30.

At Kentucky Frontier’s \$5.225 per mcf system average natural gas cost, the company’s typical residential customer pays about \$313.50 per year for the gas itself. Average annual bills including gas cost over the 10 systems currently range from about \$495 to about \$704.

At the approved rates, the average annual residential bill over the entire system – including the surcharges - would be about \$711 based on a gas cost of \$5.225 per mcf. If Kentucky Frontier puts in place the \$4.20 per mcf delivery charge allowed by the PSC, that would add \$1.20 to the annual bill.

In today’s order, the PSC also approved Kentucky Frontier’s proposed late payment penalties and other non-recurring charges, but said it will review them further and may order the company to reduce them and make refunds to customers who pay the higher amount.

(A system-by-system chart comparing current and new distribution charges follows at the end of this news release.)

The PSC held a hearing on Kentucky Frontier’s rate request on Feb. 14. The First Baptist Church of Salyersville and Joe and Gloria Conley intervened in the case, but did not actively participate in the proceeding.

Today’s order and related documents are available on the PSC website. The case number is 2011-00443.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 90 employees.

**-30-**

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**CHART FOLLOWS**

# KENTUCKY FRONTIER GAS RATE COMPARISON

System Name	Number of Customers	Current Annual Average Distribution Charge	Change After Rate Equalization (to \$370.80)	Change After Equalization & Surcharges
Auxier Road Gas	489	\$319.42	plus \$51.38	plus \$78.38
Belfry Gas	462	\$181.80	plus \$189	plus \$216
Blaine	59	\$360	plus \$18.80	plus \$45.80
BTU Gas	458	\$189.36	plus \$181.44	plus \$208.44
Cow Creek/ Sigma	611	\$293.40	plus \$77.40	plus \$104.40
Cow Creek	53	\$190.62	plus \$180.18	plus \$207.18
Dema Gas	10	\$390.30	minus \$19.50	plus \$7.50
East Kentucky Utilities	796	\$372.48	minus \$16.80	plus \$10.20
Mike Little Gas	313	\$273.84	plus \$96.96	plus \$123.96
Peoples Gas	78	\$185.76	plus \$185.04	plus \$212.04

Approved surcharges will add \$27 to the \$370.80 equalized annual distribution charges.